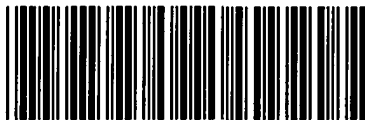


Company Number: 09572392

HADSTON SOUTHWARK LIMITED

ANNUAL REPORT 31 DECEMBER 2022

THURSDAY



ACC25NB5

A19

14/09/2023

#169

COMPANIES HOUSE

DIRECTORS' REPORT

The directors present their report and the unaudited financial statements for the year ended 31 December 2022. A strategic report has not been prepared as the company is entitled to the small companies exemption under section 414B of the Companies Act 2006.

1. Introduction

The principal activity of the company is that of property development.

The company primarily operates in a British Pound environment. Accordingly, the company's functional currency is the British Pound and these financial statements have been prepared in that currency.

2. Financial overview

The financial statements have been drawn up for the year ended 31 December 2022. Comparative information has been presented for the year ended 31 December 2021.

The directors consider loss before tax, total assets and total liabilities as the company's key performance indicators.

The results for the year are shown in the profit and loss account on page 3. Loss before taxation for the year ended 31 December 2022 was £1.37 million (31 December 2021: loss of £1.17 million).

The company had total assets of £144.37 million as at 31 December 2022 (31 December 2021: £91.84 million) and total liabilities of £111.94 million as at 31 December 2022 (31 December 2021: £58 million).

3. Future outlook and going concern

The directors consider that the year-end financial position of the company was satisfactory and do not anticipate any significant changes in its principal activities in the forthcoming year.

The company had net current liabilities of £73.49 million as at 31 December 2022 (31 December 2021: net liability of £54.60 million). In addition, the company finances its working capital and development expenditure through the external loan facility commitment of £90.20 million. At reporting date, the company had £0.55 million (2021: £44.34 million) of the external loan facility available to draw down to finance the development and working capital. On 17 March 2023, the directors amended the maturity date to 30 June 2023 and increased the commitment from £90.20 million to £95.50 million. The maturity date was again further extended to 30 September 2023. In line with the facility agreement, proceeds from the sale of residential units are first utilised to settle the facility. At the end of August 2023, the company had substantially repaid the loan and only £2,826,016 remained as outstanding. On 6 September 2023, the company completed the disposition process of part of its real estate portfolio and the proceeds from the sale will allow the company to completely pay down the external facility.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements

4. Dividends

The directors do not recommend the payment of a dividend in respect of the year (31 December 2021: £nil).

5. Financial risk management

The company's financial risk management objectives and policies, as well as its risk exposures, are described in note 17 to the financial statements.

DIRECTORS' REPORT (continued)

6. Directors

The directors of the company who served throughout the period and to the date of this report, except where noted, were:

Name	Appointed	Resigned
H. Ohlsen	19 December 2018	29 December 2022
R. J. Spencer	19 December 2018	29 December 2022
A. J. Roberts	29 December 2022	
C. M. Semones	29 December 2022	

No director had, throughout the year, any interest requiring note herein.

7. Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping accurate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

8. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 8 September 2023.

ON BEHALF OF THE BOARD

DocuSigned by:

Andrew Roberts

00752476A97C12C

Andrew J. Roberts
Director

HADSTON SOUTHWARK LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Net revenues	4	956,443	-
Cost of sales	12	(727,615)	-
Administrative expenses	5	<u>(1,593,951)</u>	<u>(1,167,174)</u>
LOSS BEFORE TAXATION		(1,365,123)	(1,167,174)
Tax on loss	9	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(1,365,123)</u></u>	<u><u>(1,167,174)</u></u>

The operating losses of the company are derived from continuing operations in the current and prior years.

The accompanying notes are an integral part of these financial statements.
Company Number: 09572392

HADSTON SOUTHWARK LIMITED
BALANCE SHEET
as at 31 December 2022

	Note	31 December 2022 £	31 December 2021 £
FIXED ASSETS			
Property under development	10	105,959,812	88,436,430
Fixed asset investments	11	<u>1</u>	<u>1</u>
		<u>105,959,813</u>	<u>88,436,431</u>
CURRENT ASSETS			
Property held for sale	12	25,766,875	-
Debtors: Amounts falling due within one year	13	11,970,381	428,024
Cash at bank and in hand		<u>669,671</u>	<u>2,972,614</u>
		38,406,927	3,400,638
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(111,894,350)</u>	<u>(57,999,556)</u>
NET CURRENT LIABILITIES		<u>(73,487,423)</u>	<u>(54,598,918)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>32,472,390</u>	<u>33,837,513</u>
NET ASSETS		<u>32,472,390</u>	<u>33,837,513</u>
CAPITAL AND RESERVES			
Called up share capital	15	7,263,045	7,263,045
Share premium account	15	36,301,232	36,301,232
Profit and loss account		<u>(11,091,887)</u>	<u>(9,726,764)</u>
TOTAL SHAREHOLDER'S FUNDS		<u>32,472,390</u>	<u>33,837,513</u>

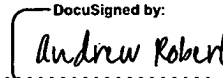
For the year ended 31 December 2022, the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The members acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of the accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 3 to 16 were approved and authorised for issue by the board of directors on 8 September 2023 and were signed on its behalf by:

DocuSigned by:


Andrew J. Roberts
 Director

The accompanying notes are an integral part of these financial statements.
 Company Number: 09572392

HADSTON SOUTHWARK LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share capital £	Share premium account £	Profit and loss account £	Total shareholde rs' funds £
Balance at 1 January 2021	7,263,045	36,301,232	(8,559,590)	35,004,687
Loss for the financial year	<u>-</u>	<u>-</u>	<u>(1,167,174)</u>	<u>(1,167,174)</u>
Balance at 31 December 2021	7,263,045	36,301,232	(9,726,764)	33,837,513
Loss for the financial year	<u>-</u>	<u>-</u>	<u>(1,365,123)</u>	<u>(1,365,123)</u>
Balance at 31 December 2022	<u>7,263,045</u>	<u>36,301,232</u>	<u>(11,091,887)</u>	<u>32,472,390</u>

The directors do not recommend the payment of a final dividend in respect of the year (31 December 2021: £nil).

The accompanying notes are an integral part of these financial statements.
Company Number: 09572392

HADSTON SOUTHWARK LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Cash flows from operating activities			
Cash (used in)/generated from operations	19	<u>(5,078,578)</u>	<u>2,512,442</u>
Net cash (used in)/generated from operating activities		<u>(5,078,578)</u>	<u>2,512,442</u>
Cash flows from investing activities			
Capital expenditure		(40,165,696)	(24,980,534)
Finance costs paid and capitalised		(3,852,176)	(1,962,913)
Proceeds from sale of property		<u>955,000</u>	<u>-</u>
Net cash flows used in investing activities		<u>(43,062,872)</u>	<u>(26,943,447)</u>
Cash flows from financing activities			
Proceeds from borrowings		46,793,507	26,456,045
Repayment of borrowings		<u>(955,000)</u>	<u>-</u>
Net cash flows generated from financing activities		<u>45,838,507</u>	<u>26,456,045</u>
Net (decrease)/increase in cash and cash equivalents		<u>(2,302,943)</u>	<u>2,025,040</u>
Cash and cash equivalents at start of the year		<u>2,972,614</u>	<u>947,574</u>
Cash and cash equivalents at end of the year		<u><u>669,671</u></u>	<u><u>2,972,614</u></u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		<u>669,671</u>	<u>2,972,614</u>
Cash and cash equivalents		<u><u>669,671</u></u>	<u><u>2,972,614</u></u>

The accompanying notes are an integral part of these financial statements.
Company Number: 09572392

1 GENERAL INFORMATION

The company is a private limited company and is incorporated and domiciled in England and Wales. The address of its registered office is 5th Floor 20 Fenchurch Street, London, England, EC3M 3BY, United Kingdom.

The company's immediate parent undertaking is Hammer Investment Limited, a company incorporated and domiciled in England and Wales.

2 ACCOUNTING POLICIES

a Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and the Companies Act 2006.

b Going concern

The company had net current liabilities of £73.49 million as at 31 December 2022 (31 December 2021: net liability of £54.60 million). In addition, the company finances its working capital and development expenditure through the external loan facility commitment of £90.20 million. At reporting date, the company had £0.55 million (2021: £44.34 million) of the external loan facility available to draw down to finance the development and working capital. On 17 March 2023, the directors amended the maturity date to 30 June 2023 and increased the commitment from £90.20 million to £95.50 million. The maturity date was again further extended to 30 September 2023. In line with the facility agreement, proceeds from the sale of residential units are first utilised to settle the facility. At the end of August 2023, the company had substantially repaid the loan and only £2,826,016 remained as outstanding. On 6 September 2023, the company completed the disposition process of part of its real estate portfolio and the proceeds from the sale will allow the company to completely pay down the external facility.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements

c Revenue recognition

Revenue from the sale of property is recognised when the risks and rewards of the property have substantially transferred to the buyer, which is typically on the unconditional exchange of contracts. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the company does not adjust its transaction price for the time value of money.

d Foreign currencies

The company's financial statements are presented in British Pound, which is also the company's functional currency.

Transactions denominated in foreign currencies are translated into British Pound at rates of exchange prevailing on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into British Pound at rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are recognised in the profit and loss account.

e Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 ACCOUNTING POLICIES (continued)

f Property held for sale

Property held for sale relates to completed units transferred from property development and held for sale and is accounted for as inventory. Property held for sale is stated at the lower of cost and net realisable value. These properties once classified as property held for sale are not depreciated or amortised. Cost includes all costs incurred in bringing each completed property to its present location and condition.

Net realisable value is based on estimated selling price in the ordinary course of business, less any further costs expected to be incurred to disposal.

g Investment properties

Investment properties are measured initially at cost, including transaction costs. The company has elected to subsequently measure investment property at historical cost less accumulated depreciation and provisions for any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is included in operating expenses and is provided on a straight-line basis over the following estimated useful lives as follows:

- Buildings : 40 years and
- Furniture, fittings and equipment: 3 years.

The assets' residual values and useful lives are reviewed on an annual basis. Borrowing costs directly associated with the purchase or development of fixed assets are capitalised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit and loss account in the period of derecognition.

h Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Non-financial assets which are in use are subject to amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

i Cash at bank and in hand

Cash at bank and in hand is highly liquid overnight deposits held in the ordinary course of business.

j Restricted cash

Restricted cash comprise of cash deposits from tenants held by the company's lawyers and whose withdrawal or usage is restricted until certain conditions are met. Restricted cash is not available for general use by the company until released by the company's lawyers when the conditions of sale per the sales agreements are met. The restricted cash is disclosed on the statement of financial position as debtors: amounts falling due within one year.

2 ACCOUNTING POLICIES (continued)

k Financial assets and financial liabilities

1. Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and the transfer qualifies for derecognition. A transferred financial asset qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the financial asset or if the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control. Financial liabilities are derecognised only when they are extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expires).

2. Classification and measurement

Financial assets comprise all of the company's current assets, and financial liabilities comprise all of the company's creditors with the exception of tax assets and liabilities

- **Financial assets measured at amortised cost**

Financial assets that are held for the collection of contractual cash flows and have cash flows that represent solely payments of principal and interest are measured at amortised cost, unless they are designated at fair value through profit or loss. The company considers whether the cash flows represent basic lending arrangements and where contractual terms introduce exposure to risk or volatility inconsistent with a basic lending arrangement, the financial asset is classified and measured at fair value through profit or loss.

Financial assets measured at amortised cost are initially measured at fair value plus transaction costs and subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial asset but does not consider future credit losses. All finance income is recognised in the profit and loss account.

The company classifies its financial liabilities into the below categories. The classification, which is determined at initial recognition, depends on the purpose for which they were acquired or originated.

- **Financial liabilities measured at amortised cost**

Financial liabilities measured at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method (see above). Finance costs, including discounts allowed on issue, are recorded in interest payable and similar expenses.

3. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet where there is:

- i. currently a legally enforceable right to set off the recognised amounts; and
- ii. intent to settle on a net basis or to realise the asset and settle the liability simultaneously.

Where these conditions are not met, financial assets and financial liabilities are presented on a gross basis on the balance sheet.

l Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax from the proceeds.

2 ACCOUNTING POLICIES (continued)

m Current and deferred tax

The tax expense comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all temporary differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred by that date that will result in an obligation to pay more tax or a right to pay less tax in the future with the following exceptions:

(i) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying temporary differences can be deducted.

(ii) Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. In the opinion of management, there were no judgements, estimates or assumptions made that had a significant effect on amounts recognised in the financial statements.

4 NET REVENUES

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Proceeds from sale of property	955,000	-
Other income	<u>1,443</u>	<u>-</u>
	<u><u>956,443</u></u>	<u><u>-</u></u>

5 ADMINISTRATIVE EXPENSES

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Property expenses	607,112	420,294
Legal and professional fees	870,381	590,271
Accounting and administration fees	68,594	101,900
Other expenses	<u>47,864</u>	<u>54,709</u>
	<u><u>1,593,951</u></u>	<u><u>1,167,174</u></u>

6 INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Interest on third party loan (Note 13)	3,852,176	1,962,913
Less: Interest capitalised	<u>(3,852,176)</u>	<u>(1,962,913)</u>
	<u>-</u>	<u>-</u>

Borrowing costs on the third party loan are capitalised in full as the specific third party loan was used to finance a qualifying asset.

7 STAFF COSTS

The company has no employees.

8 DIRECTORS' EMOLUMENTS

The directors did not receive any remuneration from the company in the current or prior years and no contributions were made by the company under defined benefit or defined contribution pension schemes. The directors are employed by undertakings owned by the shareholder's of the entity's parent company and service providers and their remuneration is borne by those companies. The directors do not consider that a significant proportion of their remuneration relates to the qualifying services provided to the company.

9 TAX ON LOSS

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Current tax		
UK Corporation tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

The table below presents a reconciliation between tax on loss and the amount calculated by applying the rate of U.K. corporation tax applicable to the company for the year of 19% (2021: 19%) to the loss before taxation.

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Loss before taxation	<u>(1,365,123)</u>	<u>(1,167,174)</u>
Loss multiplied by the rate in the U.K. of 19% (2021: 19%)	(259,373)	(221,763)
Expenses not deductible for tax purposes	4,860	-
Unused tax losses not recognised - current period	<u>254,513</u>	<u>221,763</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

The U.K. government announced in its budget on March 3, 2021 that the U.K. corporation tax main rate will increase from 19% to 25% from April 1, 2023. A potential deferred tax asset of £2,694,972 (2021: £1,769,421) has not been recognised in the financial statements as there is uncertainty whether the company will generate suitable taxable profits in the future against which the deferred tax asset can be recovered.

HADSTON SOUTHWARK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

10 PROPERTY UNDER DEVELOPMENT

	31 December 2022 £	31 December 2021 £
Residential development at cost		
At beginning of year	88,436,430	61,492,983
Net capital expenditure incurred during the year	40,165,696	36,454,859
Capitalised finance costs	3,852,176	1,962,913
Net cost reimbursed relating to the school	-	(11,474,325)
Transfer to property held for sale (Note 12)	<u>(26,494,490)</u>	<u>-</u>
	<u><u>105,959,812</u></u>	<u><u>88,436,430</u></u>

Reimbursement represents contribution from the Department for Education towards cost of building a school as part of the development.

11 FIXED ASSET INVESTMENTS

Fixed asset investments, which are unlisted and stated at cost less provision for any impairment, comprise investments in subsidiary undertakings as detailed below:

	31 December 2022 £	31 December 2021 £
At beginning and end of year	<u><u>1</u></u>	<u><u>1</u></u>

The subsidiaries, over which the company exercises control via ordinary shares held directly by the company at the period end, are:

Name of company	Nature of business	Country of incorporation
Brigade Court Management Limited ¹	Property investment	United Kingdom
Brigade Court Investco Limited ¹	Property investment	United Kingdom

Brigade Court Investco Limited is a company limited by guarantee and Hadston Southwark Limited as a member of the company has guaranteed to contribute maximum capital of £1.

¹The registered office address is at 3 Castle Gate, Hertford, United Kingdom, SG14 1HD.

12 PROPERTY HELD FOR SALE

	31 December 2022 £	31 December 2021 £
At beginning of the year	-	-
Transfer from property under development (Note 10)	26,494,490	-
Transfer to cost of sales	<u>(727,615)</u>	<u>-</u>
	<u><u>25,766,875</u></u>	<u><u>-</u></u>

Transfer from property under development relates to construction and development costs incurred on completed units that are ready for sale and transferred at cost.

13 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Debtors, all of which are due within one year of the balance sheet date, comprise:

	31 December 2022 £	31 December 2021 £
Deposits received from buyers	11,661,182	-
Other debtors and prepayments	158,028	48,791
VAT receivable	151,171	234,537
Tax deducted at source	-	144,696
	<u>11,970,381</u>	<u>428,024</u>

Deposits received from buyers relates to amounts received from buyers which are held by the company's lawyers in an escrow account (refer to Note 14) and released when the conditions of sale per the sales agreements are met.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2022 £	31 December 2021 £
Loan due to third party	88,697,263	42,858,756
Buyers' deposits held in escrow	11,661,182	-
Amount due to parent undertaking	8,526,117	8,535,357
Accruals and other creditors	<u>3,009,788</u>	<u>6,605,443</u>
	<u>111,894,350</u>	<u>57,999,556</u>

The loan due to third party represents a secured loan facility. The loan accrues interest at margin of 4.04% plus the applicable Sterling Overnight Interbank Average Rate ("SONIA") in accordance with the facility agreement. The loan facility is secured by charge over all the assets of the company.

On 17 March 2023, the directors amended the external loan facility to increase the commitment from £90,200,000 to £95,500,000 and extend the maturity date from 31 March 2023 to 30 June 2023. The maturity date was again further extended to 30 September 2023.

Buyers' deposits held in escrow balance relates to deposits made by prospective buyers in relation to property units on sale and held by the company's lawyers until finalisation of the sale and handover of the properties to buyers.

15 CALLED UP SHARE CAPITAL AND SHARE PREMIUM

At 31 December 2022, the called up share capital comprised of:

	31 December 2022 £	31 December 2021 £
Allotted, called up and fully paid		
726,304,500 (2021: 726,304,500) Ordinary shares of £0.01 each	<u>7,263,045</u>	<u>7,263,045</u>
Share premium		
At beginning and end of year	<u>36,301,232</u>	<u>36,301,232</u>

16 FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments or contingencies outstanding at the reporting date.

17 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The company monitors its capital on an ongoing basis. The company's objective is to be prudently capitalised in terms of the amount and composition of its equity base compared to the company's risk exposures. The appropriate level and composition of equity capital is determined by considering multiple factors including the business environment, conditions in the financial markets and assessments of potential future losses due to adverse changes in market environments.

The company is not subject to any externally imposed capital requirements.

The directors consider that the most important components of the company's financial risk are market risk, credit risk and liquidity risk.

a Market risk

Market risk is the risk of loss in value of investments, as well as certain other financial assets and financial liabilities, due to changes in market conditions. Risks are monitored and controlled through board oversight and independent control and support functions across the company's business. Relevant market risk for the company is interest rate risk.

Interest rate risk results from exposures to changes in level, slope and curvature of yield curves, volatilities of interest rates and credit spreads.

b Credit risk

Credit risk represents the potential for loss due to the default or deterioration in the credit quality of a counterparty. Credit risk is managed by reviewing the credit quality of the counterparties and reviewing, if applicable, the underlying collateral against which the financial assets are secured. The company's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 December 2022 and 31 December 2021. The company's credit exposures are described further below:

Cash at bank and in hand. Cash at bank and in hand include non-interest-bearing deposits. To mitigate the risk of credit loss, the company places substantially all of its deposits with highly-rated banks.

Debtors and other receivables. The company is mainly exposed to credit risk from deposits received from buyers (note 13), for which the credit risk is considered minimal. This is because the deposits are held in escrow by the company's lawyers and only released to the company once the conditions of sale are met. As at 31 December 2022, the company had no debtors past due (31 December 2021: £Nil).

c Liquidity risk

Liquidity risk is the risk that the company does not have sufficient cash or collateral to make payments to its counterparties or customers as they fall due. The company manages its liquidity risk through a conservative set of liquidity and funding policies to address both company specific and broader industry or market liquidity events.

HADSTON SOUTHWARK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

18 FINANCIAL INSTRUMENTS

The table below presents the carrying value of the company's financial assets and financial liabilities by category.

	31 December 2022 Amortised cost £	31 December 2021 Amortised cost £
Financial assets		
Deposits received from tenants and other debtors	11,661,182	48,791
Cash at bank and in hand	<u>669,671</u>	<u>2,972,614</u>
	<u>12,330,853</u>	<u>3,021,405</u>
Financial liabilities		
Loan due to third party	88,697,263	42,858,756
Tenant deposits held in escrow	11,661,182	-
Amount due to parent undertaking	8,526,117	8,535,357
Accruals and other creditors	<u>3,009,788</u>	<u>6,605,443</u>
	<u>111,894,350</u>	<u>57,999,556</u>

19 CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of loss before tax to cash generated from operations

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Loss before tax	(1,365,123)	(1,167,174)
Adjustment for:		
Gain from sale of property	(227,385)	-
Decrease/(increase) in debtors	118,825	(64,400)
(Decrease)/increase in creditors	(3,595,655)	3,774,051
Decrease in amounts due to parent undertaking	<u>(9,240)</u>	<u>(30,035)</u>
Cash (used in)/generated from operations	<u>(5,078,578)</u>	<u>2,512,442</u>

20 ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Hammer Investment Limited, a company incorporated and domiciled in England and Wales. The shareholders of the parent undertaking are (i) GS Sapphire Holding Limited, a company incorporated and domiciled in England and Wales, (ii) Brasted Investments (Southwark) Ltd a company incorporated and domiciled in England and Wales and (iii) V766 Centauri LLC, a company incorporated in the United States of America.

21 RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is Hammer Investment Limited, a company incorporated and domiciled in England and Wales. Amounts due to the parent undertaking in respect of liabilities in relation creditors settled by the parent are disclosed in note 14.

Project management services are provided to the company by Urbanwise Developments Limited (the "manager"), a company incorporated in the United Kingdom and is ultimately controlled by individuals who are also shareholders of Brasted Investments (Southwark) Limited. Brasted Investments (Southwark) Limited is a fellow shareholder of Hammer Investment Limited, the parent company. The total fee charged by the manager during the year amounted to £nil (2021: £490,000).

The directors do not consider that there are any significant related party transactions or balances not disclosed in these financial statements.

22 POST BALANCE SHEET EVENTS

Subsequent to the year end, the following events occurred:

- the directors extended the maturity date of the external loan facility from 31 March 2023 to 30 September 2023,
- On 27 April 2023, the company entered an £11,000,000 uncommitted intra-group loan facility with its parent, Hammer Investment Limited,
- On 6 September 2023, the company completed the disposition process of part of its real estate portfolio, the proceeds from the sale will allow the company to repay in full the external facility ahead of the maturity date,